# Progressive Calvinism

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## Why Are People Poor? (continued), Or Poverty And Its Causes

### The Economic Reason Why Men Are Poor

Under the foregoing general title considerable space was devoted in last month's issue to the idea that men are always very poor — lack comforts and must work hard — whenever they lack *capital.*

Primitive societies, new societies, and societies not organized on a laissez-faire basis lack capital. Such societies must be poor. Adam as the first man was necessarily poor. Grant his extraordinary capabilities, grant his original moral state, and grant that his environment in the Garden of Eden was favorable, he nevertheless had a very low standard of living; no clothes; no fire-making or cooking capital; no capital in the form of tools; no housing capital; no plumbing or sanitary capital; no writing equipment capital or paper of any kind; no road or transportation capital; etc. Life in the Garden of Eden was consequently primitive and meager; the reason for that was that God had not created capital. Capital

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(as it was defined in the previous issue) is *man made.* One of the earthly problems of Adam and his descendants is to produce capital.

Capital is necessary for man's earthly well-being, because nature, the world as created, is good only in a general sense. But if something is good in a general sense, that is no guarantee that it will be operative for a particular person's *specific* benefit at a *particular* place, time, circumstance. Men must work directly and men must create capital in order to put the forces of nature to work for them according to their specific and variable needs. The formation of capital consists of man so combining various things and forces that nature works under specific circumstances for man's specific purposes. One man may have need for hot water; another man may have need for cold water. Such men will each make different arrangements to get their water to suit their specific and variable needs. Those arrangements incorporated in tangible things are capital, that is, the *man-produced* means of production.

All human beings naturally wish to have welfare and comfort. What is necessary for that purpose, or in stronger terms, what makes a society rich? The answer to this question is that a *society has material well-being, comfort and wealth in proportion as it has much capital per person.* That is the *sine qua non* of prosperity; that is the inescapable prerequisite to good living. If workmen, intellectuals, farmers, merchants, housewives, union leaders, bankers, the backward nations, the advanced nations, indeed if all men thoroughly understand that elementary idea in regard to the need of *much capital per person* and work toward the objective of developing much capital per person, then there can be hope of getting general prosperity; otherwise, not. Regrettably, the policy of many people and nations is such as not to increase or accumulate more capital per person but to decrease it. Such a policy is confusing, disillusioning and maddening to the masses who do not understand the problem and may see no progress or only slow progress toward attaining it. It is also a wicked process — to reduce the capital per capita by consuming capital.

### Capital Per Person Is A Ratio

Capital per capita is a ratio; it shows the relation between two quantities: (1) number of people, and (2) the quantity of

capital. When the amount of capital is divided by the number of people, you get the capital *per capita.*

People can reduce their prosperity or increase it by affecting either of the two numbers used to compute the ratio; for example, the same number of people and more capital means more prosperity; vice versa, more people and the same capital means less prosperity.

### Ability To Reason Correctly In Simple Cases

Recently a Chinaman by race but a citizen of another state visited me. I asked him about the percent of Chinamen in his state and their prosperity. He said the Chinamen composed 4% of the population of his country, and that they were more prosperous than the natives.

I asked him why the Chinamen were more prosperous, and in answer he gave two reasons: (1) Chinamen worked harder than the natives; and (2) they were thriftier [which means they spent less for consumption and more for capital]. So far his observations were clear and his thinking was straight. In fact, most people can keep their thinking straight in regard to direct observations of that kind. Hard work and thrift create capital. But they do not necessarily develop a generally high capital per person.

### Reluctance To Reason From Simple Observation To General Principles

After my acquaintance had correctly described why Chinamen were prosperous in his country compared with the natives of that country, I generalized the idea and said that that was why the United States was one of the more prosperous countries in the world. But then my Chinese friend balked. He was willing to accept his own observations (for his grandfather, his father and himself who had all worked hard in their adopted country) as an explanation why his family and other Chinese families (although not rich) had become more prosperous than the natives of their adopted country, but there he stopped. Hard work and thrift do not generally result in prosperity, he declared positively. I asked him for his proof. It was this: in China men work hard and are thrifty but they nevertheless continue to be terribly poor. That

fact he considered conclusive proof that it was not hard work and thrift that develop prosperity. Something else, in his opinion, apparently mysteriously creates prosperity.

I then emphasized that I had said capital *per person or per capita.* I told him that I had heard that it was part of the prevailing religion in China to honor their ancestors; and further that *ancestors were considered to be honored in proportion to the number of children bred.* I suggested that if that Chinese religious idea was lived up to, then the number of Chinamen would have a tendency to increase faster than capital was accumulated. Under such circumstances if people increased in number faster than capital in quantity, then the conclusion inevitably followed that the standard of living would go down and stay down at the subsistence level. I told him that an irresponsible birth rate (I did not define an *irresponsible* birth rate) could more than offset hard work and thrift.

My Chinese friend who had spent nine years in Calvinist colleges and universities and who was obviously thoroughly imbued with interventionist (*dirigist*) ideas then answered: (1) at (such and such) university they disagree among themselves on questions of birth control; and (2) the "government" should help the poor.

Not wishing to get into a discussion of birth control (which I had not mentioned and which certainly is not identical with a responsible birth rate) I left this question in the only form in which it was satisfactory to leave it (considering the limited time we would be together), namely, that a population policy for individuals should be *responsible;* men ought not to approach population questions as rabbits, who continue to multiply up to the limit of the means of existence for them and starve beyond that.

### Government Assistance Of The Poor, Or The State As An Idol

It appeared desirable instead to discuss what a government might do to help the poor, or as they are also called, the underprivileged, and to what extent a government can promote prosperity and welfare. My friend apparently had confidence that a government can promote welfare and prosperity!

He was in this unintentionally agreeing with the famous socialist agitator, Ferdinand Lassalle, who said that the "state is God," a type of idol worship also well-developed among religious people. My friend was not thinking of a state developing capital the hard and only way, namely, by work and thrift. To the contrary, he was thinking of the state creating capital as if the state were God indeed, and that the hard work and the thrift could be dispensed with. Well, the state is not God; it never has been and it never will be. The state does not work at *producing* capital and the state is seldom *thrifty*. The state taxes instead of produces; the state spends instead of saves. A small part of what a state collects may be spent on developing capital, such as roads, buildings, etc. But when a state undertakes to accumulate capital, it is always inefficient, as we may explain some other time. If it had permitted its citizens to keep what it took from them in taxes (other than for *valid* government expenses) the high probabilities are that such a society would have accumulated more and better-directed capital than that which the government accumulated or invested.

Everybody who really believes that a state can *increase* the welfare of its citizens by making taxes pass through its hands and thereby yielding more than it collected, is practically an idol-worshipper, violating the First Commandment by making the state a creator, a god.

### A Human Birth Rate Can Be Responsible; A Bestial Birth Rate Is Not Responsible

We also told our Chinese friend that under a collectivist system (socialism, communism, syndicalism) and under a semi-collectivist system (interventionism, *dirigisme*) the birth rate would always be more or less irresponsible and consequently disastrous. To this he promptly objected. Why, he asked, should the birth rate be higher in a collectivist society than in an "individualist" society. (He struggled a little with the word, individualist, but finally found it, and mentioned it, as do all collectivists and most Calvinists, *as a name designating evil.* But the word he used, independent of his disapprobation, was the excellently correct word; *individualism* is indeed the exact and only opposite of *collectivism.*)

We answered that two ways. We declared that at first the birth rate would be higher, but that later it would be lower.

When collectivism supersedes individualism, or in other words when socialism or communism takes the place of capitalism, capital is transferred from individuals to society generally, which must mean the state. Capital will then be consumed. (This needs proof; space is not available here.) While that consumption of past savings goes on, people can live better. They are, in a figure of speech, eating up not only the corn available for eating, but they are also eating their seed corn. In the process, population will increase. There will be a false sense of prosperity until it is discovered that not only income, but also previously accumulated capital has been consumed.

Thereafter, (1) the birth rate will have to be lower; or (2) if the birth rate is not lower, then the death rate will go up; or (3) otherwise the standard of living will go down. Usually the latter happens; misery increases; men become bitter; they become frantic and have recourse to violence, especially against those who have not dissipated their capital and have enough to be worth robbing.

Suppose there is a land which has easy-going, nonthrifty people. Suppose there is a neighboring land which has hard-working and thrifty people. Suppose, also that the second land is accumulating capital per capita. Finally, assume that spokesmen for the government of the second people assure the people in the first country that they will never be "let down" and that the second country will always provide a decent standard of living for the people of the first country. What will happen? The people in the first country will breed as rabbits. The population will burgeon. Why should it not? Have not the people of the second country promised to take care of them! We could give an example of such a situation today, but refrain from doing so. We only add that the policy is unsound, that it can only be temporary, and that the longer it is continued the more disastrous it will be. Vice versa, in a laissez-faire capitalist type of society, the birth rate has an inescapable tendency to be responsible.

Consequently, we reiterated to our Chinese friend the fundamental proposition that *material well-being for men is determined by the capital per capita.*

## The State As The Educational Redeemer Of Its Citizens

He came back with a final argument. The problem of material well-being is, he said, still the responsibility of the state. If people inevitably will be poor unless they work hard, are thrifty and so accumulate capital, but if nevertheless they are easy-going and spendthrifty, then the government should undertake the responsibility of educating those people and teaching them to work and to be thrifty.

Again the government was evaluated by him as being almost a God. The word, government, did not mean to him bureaucrats who love power and who do not want the citizenry to be too well-informed or independent in their thinking, but instead it meant a wonderful, fatherly, beneficent source of the highest wisdom and the best agency for training people; if the state could not create capital or induce its creation directly, it could at least educate its citizens to be industrious, thrifty and capital-developing. The *state,* he held, should be responsible for teaching *that* gospel.

We indicated skepticism that the state would function well in that regard. But we emphatically added that we considered the subject of importance to the Christian religion and especially for Christian missions. We told him that we considered a Calvinist derelict in his duty to his fellow men if he did not endeavor to "put straight" the thinking of his fellow men even in what is sneeringly called material matters. We do not consider educating a man on material matters to be something low or of contemptible consequence. If a man has no material welfare, he has no leisure; if he has no material welfare, he cannot educate his children; they lose very vital opportunities; they become bitter; they develop all the envies of the have-nots. We declared that a Christian ought to do that educating instead of the government.* We asked: why should not the proper definition of neighborly love require that we help everyone to get his thinking straight also on material matters, because they do have an effect on a man's time for a spiritual life.

But that, again, was a revolutionary idea to our Chinese friend. He had been trained in a Calvinist institution of higher learning. *There* they had taught him to look to the earthly god, the state,

*As well as proclaiming the great doctrine of salvation by grace.

to undertake all kinds of things, including the economic education of people. That was not the function of the church, nor of Christians, but of that fount of blessings, the state.

We then urged upon our friend a serious consideration of practical Christian principles and the favoring of policies by him in his adoptive country which will genuinely increase its material well-being because of an increase of capital per capita.

Unfortunately, for him to do so will soon make him suspect with his government; he may no longer be kept in its employ; he may be thrown out of his high position, and he may land in prison; maybe something worse can happen.

### Our Answer Is Not Yet Complete
### Why Men Are Poor

On page 267 of the September issue of PROGRESSIVE CALVINISM we outlined the following as possible explanations for poverty or the lack of material well-being.

1. God, if we believe He exists;
2. The *natural* world as it exists, ignoring God as its Creator; we then blame Providence or "nature";
3. Our fellow men, individually or collectively;
4. Ourselves;
5. The system under which men endeavor to operate, something that is given a name such as capitalism or socialism.

We have finished in this analysis, for the time being, with (1), (2) and (4) — with (1) God, with (2) nature, and with (4) ourselves as isolated producers, men who may work hard and are thrifty. There remains the problem of whether and how much poverty is the result of what men do to each other, number (3); or whether there is something inherent in a system, either capitalism or socialism, that is basically bad, number (5).

Items (3) and (5) require a shift to the problem of coercion, the problem of exploitation of man by man. Up to this point we

have been considering the coercion, in a sense, of nature* on man and how to make nature more responsive to man's needs. But granting that nature becomes more responsive in total when capital per capita is increased, how about the unequal and maybe unfair and exploitative distribution of production from the cooperation of nature, man and capital. Maybe *A* is strong; maybe *A* is competent; maybe *B* is weak; maybe *B* is incompetent; maybe therefore prosperity (the absence of poverty) is not to be desired, if the distribution of the benefits is not "fair" and "just."

This is, of course, an enormous problem and we do not wish to go into that problem without considering what is meant by "fair" and by "just."

We wish to analyze this problem as, first, one involving a potential gross fallacy, and, secondly, the actual character of that fallacy.

In this connection we wish to write about William of Ockham (or Occam) and his famous method of argumentation known as Occam's Razor. Secondly, we wish to quote what Ludwig von Mises has written in the section entitled, "Righteousness As The Ultimate Standard of the Individual's Actions" in his great book on economics, entitled, *Human Action,* pages 719-725 (Yale University Press, New Haven, Connecticut, 1949). fn

## William Of Occam And His Razor

### Occam Himself

William of Ockham or Occam (1300?-1349?) an Englishman who became a Franciscan friar and eventually the head of the Order, is usually considered to be the last of the great medieval scholasticists. Occam is considered to have given a death blow to medieval scholasticism, and his ideas helped to usher in the modern period of philosophy. His "approach" is considered to have been fertile to modern scientific thought. As PROGRESSIVE CALVINISM is appreciative of the achievements and benefits of modern science, it feels comfortable about the basic approach made by Occam, al-

*Not man on man.

though we lack thorough knowledge of the philosophic and epistemological problems which are involved.

In the medieval ages a controversy raged between *realists* and *nominalists*. Realists were philosophers and churchmen in the tradition of Plato and Augustine, the early church father. They held that real reality consisted not in individuals but in general ideas. The *general idea of man* was more real than *individual man*.

The nominalists held the reverse idea; they said that the individuals only were real. The nominalists were *factual* people. William of Ockham was the last and by far the greatest of the nominalists. After him realism no longer looked good.

Ockham, aside from his activities as a thinker and a philosopher, was also an active churchman. He was against centralization of power in Rome and he eventually was in grave disfavor with the Holy See. His predecessor as head of the Franciscan order was excommunicated by the Pope, and William, when he succeeded to being the head of the Order, lived in Germany under the protection of the secular prince who was resisting the temporal power of the Pope.

Withal Occam was a relatively *modern* man in philosophy and in politics. His approach was such that he could well have been a modern scientist and philosopher of freedom.

### Occam's Razor

Occam's Razor is a method of thinking and arguing, and it was a method which was peculiarly useful to him in defending his basic idea against the realists. If modern men understood the basic idea of Occam's Razor, there would be less error in the world.

There is a fundamental logical fallacy which is known as "begging the question"; the Latin expression for this is *petitio principii*. The meaning of "begging the question" is that you, consciously or unconsciously, assume ahead of time exactly that to be true which really needs to be proved to be true, and that you proceed with your argument from there on as if what you assumed was actually true and proved. In laymen's language, "begging the question" or *petitio principii* consists (1) in your deceiving yourself unconsciously or (2) in your deliberately but falsely trying to out-

argue an opponent by assuming that to be true which is the most fundamental thing to be proved. Then you proceed from there on as if your case were sound.

### Examples Of Begging The Question

In a university class in English, in our youth, we remember a newspaper reporter who attended as a special student. He was more mature than the rest of us, had a fast mind, and took an active part in class discussions. But the professor without apologies soon developed the habit of impolitely interrupting the student. Gradually it became apparent to me as a rather dull listener what the mental habits of the newspaperman were and the systematic objection that the professor had to those mental habits.

The student was a shameless "question begger." In order to "prove" anything, he merely assumed it. He further made the assumption in the baldest manner, not by the use of one word, but two words, a noun and an adjective modifying the noun. We forget specific cases but this was his method: "The crooked government put Smith in the Marines and he died in action"; or, "The Women's Christian Temperance Union resisted the selfish interests of the whiskey distillers." What the professor objected to were the adjectives, *crooked* government and *selfish* interests. He demanded that the student either leave out adjectives or first prove that the government was crooked or that the whiskey interests were selfish.

Since that time we have never doubted that the mere use of adjectives proves nothing; they are often used to perpetrate the fallacy of begging the question, or *petitio principii*. An example of begging the question by the use of an adjective might be as follows: "*Unbrotherly* (or unsympathetic) criticisms of the Christian Reformed church are published by so-and-so." Most people from that point on consider that the person criticized in the preceding sentence is indeed sinfully unbrotherly, unsympathetic, unfair, has a hostile purpose, and therefore should not be heard; why, he is disloyal to the denomination! But the "question" has been "begged"; the propriety of the adjective needs to be substantiated.

The fallacy of begging the question becomes less obvious when only one word is used, but when the word carries a certain meaning

which ought to be proved. Theodore Roosevelt organized a new party and he called it the Progressive Party and the members called themselves Progressives. They were careful not to call themselves Reactionaries, for one reason because that name does not sound good. (We in fact believe they were reactionaries.) Of course, people are not progressive just because they call themselves Progressives, nor are they necessarily reactionary because people call them Reactionaries.

The word *progressive* in PROGRESSIVE CALVINISM is a question-begging term. Our claiming the use of the word, progressive, does not substantiate that we are progressive. (We may some day give several of the reasons explaining why we selected the name.)

### The Fallacy Most Used By Communism

There is an evil movement widely penetrating the world today which carries the name of Communism. The basic logical fallacy systematically and deliberately employed by Communists is "begging the question." It is their favorite weapon and should be carefully guarded against. Every aggression in which communism engages is described by them as *defense* against the *aggression* of others. They hide their own *aggression* under the question-begging term of *defense.* Every measure of self-defense by free people and every alliance against communism is called by the communists *war-mongering.*

People favoring freedom and who believe in honesty, when they read communist news releases will discover several things: (1) that those news releases anger them because they appear so false; it is the question-begging terms in the news releases that cause that; (2) that they are against better judgment, half-convinced that the news releases of the communists might be true; again, it is the question-begging terms that do the trick. Deliberate question-begging is the most insidious propaganda that evil minds systematically employ.

What is the United States, according to communism? It is "imperialistic, war-mongering, exploitative, unjust, poor." And what is communism? It is wonderful, a "people's democracy"; and Russia is a federation of "republics," which are "peaceful, just,

defenders of the down-trodden, rich." All these allegations not only beg the question, but they are false.

### William Of Occam's Basic Idea

Now William of Occam was opposed to this question-begging habit. He declared that the thinkers who went by the name of realists were constantly guilty of begging the question. The realists gave a general name to all human beings, namely, man, and then they declared that the general idea of man was more real than individual men. By creating a *general* term the realists were assuming that it represented something real. That is a fallacy, Occam declared. His "celebrated razor" is nothing more than saying that by giving something a name you have not proved anything. The general idea of man and the name for it does not make a reality of man in general and does not make man in general more real than an individual man. That is what the realists were constantly doing *unconsciously,* just as the communists employ terms *deliberately* nowadays for propaganda purposes.

Intellectuals in the church in the field of philosophy and the social sciences, the Calvinistic Action Committee, the confused* editors of the *Reformed Journal,* a department editor of *The Banner* (Rev. Peter Van Tuinen), and leaders of the so-called Christian labor movement, are all men who talk about "just prices," "fair profits," "just wages," *"een menschwaardig bestaan."* The whole social and economic structure popularly promoted in the church is based on ideas which are as much a figment of the imagination and as meaningless as the ideas which Occam shattered with his famous "razor"; worse, they will eventually be as harmful as the question-begging terms of the communists.

Christian intellectuals want a society based on *righteousness* and *just prices* and a *just distribution* of wealth. We ask *a la* Occam: what is righteousness? what are just prices? what is a just distribution of wealth? Until intellectuals, theologians, labor leaders and all who aspire to influence denominational thought define those terms they have merely begged the question.

Occam's razor is needed to end the confusion on these subjects. fn

*Our own little question-begging adjective.

# Mises On: "Righteousness As The Ultimate Standard Of The Individual's Actions"

## Two Basic Principles For Organizing Society And Not Three

It is an interesting question what economic system is really favored by theologians and lay members of the protestant churches. There are only two *basic* positions possible — *laissez-faire* capitalism and socialism-communism.

In a broad sense a man is either an individualist or a collectivist, because individualism is the general term for freedom and responsibility in a capitalist economic system; and because collectivism is the general term for planning and regulation in a socialist-communist economic system.

In the Calvinist denomination to which the publishers of Progressive Calvinism belong there appears to be a belief that there is a genuinely different third position to which many of the denomination's members apparently wish to belong, namely, a position to which the name interventionism is now generally being given in the United States. In the Netherlands the name used is *Dirigisme* (a *directed* economy). Interventionism means that the State permits the ownership of private property to continue, but *intervenes* in regard to ownership. Legislators under an interventionist system legislate in a manner to intermeddle or intervene or restrict the historical prerogatives of ownership. Further, under interventionism many boards, commissions and bureaus are set up which have authority extensively to regulate what might be or was previously free. A large group of bureaucrats fasten themselves on society as leeches, and make rules and regulations hampering the free market which contributes so much to prosperity. The assumption underlying interventionism is that the elite, that is, those in the government (to wit, politicians), are more virtuous, more wise and more responsible than other men.

Of course, a system can still be mostly individualistic, that is, largely, laissez-faire capitalism (free market capitalism) with only a dose of interventionism. Or a society can have in a very limited way laissez-faire capitalism with a very large degree of interven-

tionism. All degrees of mixture are possible. But the basic principle underlying interventionism is not reconcilable with the basic principle underlying *laissez-faire* capitalism, *nor with the principle of neighborly relations which is taught in Scripture.*

### Is There A Fourth Principle For Organizing Society?

In protestant churches there is in a definite sense a fourth principle which is declared to be the right principle for organizing society. This principle is the *Principle of Righteousness.* The Principle of Righteousness for organizing society takes on two forms to wit:

(1) Popular forms of interventionism

(2) A highly, subjective opinion of a person or of a committee such as a Social Action Committee

In the latter case, the Principle of Righteousness is identified with the personal opinion of the person or of the majority of a committee, or of self-appointed spokesmen for a denomination. Of course, these men are in favor of neighborly love, justice and righteousness. The important point is that what these men *think* is considered by them to be identical with true righteousness.

Protestants get then the following systems for the organization of society:

1. Capitalism
2. Socialism and/or communism
3. Interventionism
4. Righteousness

This fourth system is preached as by far the best. If men would only be "just" and "righteous" then the kingdom of God would descend to the earth, and utopia would be there. It is because men are not just and because they are not righteous that all the world is in varying degrees of misery.

These men suffer from a pious hallucination and are guilty of the distressing fallacy of *petitio principii* or begging the question.

What they recommend as just and righteous (or what we recommend as just and righteous, or what anyone else recommends as just and righteous) does not make any of those recommendations intrinsically *just* and *righteous*. Their terms assume what yet needs to be proved; they are terms which are loaded with the probability that they are deceiving themselves. They are propaganda terms.

Progressive Calvinism is for a just and righteous economic system. Those whose program is the exact opposite of ours declare that they are for a just and righteous economic system. But we all should make the approach of William of Occam. We must apply Occam's Razor. We must ask ourselves: What *is* a just price? What *is* economic righteousness? Merely by using the words justice and righteousness we have proved nothing. They are merely meaningless words — *unless defined.*

Professor Ludwig von Mises in his classic, comprehensive economic text, *Human Action,* analyzes the idea of economic righteousness better than we could do it. See pages 719-725 where Mises discredits the prevailing ideas of "Righteousness as the Ultimate Standard of the Individual's Actions." We have obtained the permission of the publisher, Yale University Press, to quote this entire section. We have, in order to help our readers and to relate the quotation to what has been published earlier in Progressive Calvinism, made marginal notes which will be self-explanatory. The quotation from Von Mises's *Human Action* follows:

| | **Righteousness As The Ultimate Standard Of The Individual's Actions** | **Our Marginal Notes** |
|---|---|---|
| 1 | According to a widespread opinion | This is the kind of paragraph which would have applied to us twenty-five years ago; if we had read it at that time, we too would have said that something besides the exclusive control of the profit motive is necessary for an ideal economy. |
| 2 | it is possible, even in the absence of | |
| 3 | government interference with busi- | |
| 4 | ness, to divert the operation of the | |
| 5 | market economy from those lines | |
| 6 | along which it would develop if left | |
| 7 | to exclusive control by the profit mo- | |
| 8 | tive. Advocates of a social reform to | |
| 9 | be accomplished by compliance with | |
| 10 | the principles of Christianity or with | |

the demands of "true" morality maintain that conscience should also guide well-intentioned people in their dealings on the market. If all people were prepared not only to concern themselves selfishly about profit, but no less about their religious and moral obligations, no government compulsion and coercion would be required in order to put things right. What is needed is not a reform of government and the laws of the country, but the moral purification of man, a return to the Lord's commandments and to the precepts of the moral code, a turning away from the vices of greed and selfishness. Then it will be easy to reconcile private ownership of the means of production with justice, righteousness, and fairness. The disastrous effects of capitalism will be eliminated without prejudice to the individual's freedom and initiative. People will dethrone the Moloch capitalism without enthroning the Moloch state.

The fourth system for organizing, namely, the *system of righteousness*, in contrast to capitalism, socialism and interventionism.

The arbitrary value judgments which are at the bottom of these opinions need not concern us here. What these critics blame capitalism for is irrelevant; their errors and fallacies are beside the point. What does matter is the idea of erecting a social system on the two-fold basis of private property and of moral principles restricting the utilization of private property. The system recommended, say its advocates, will be neither socialism nor capitalism nor intervention-

ism. Not socialism, because it will preserve private ownership of the means of production; not capitalism, because conscience will be supreme and not the urge for profit; not interventionism, because there will be no need for government interference with the market.

In the market economy the individual is free to act within the orbit of private property and the market. His choices are final. For his fellow men his actions are data which they must take into account in their own acting. The coordination of the autonomous actions of all individuals is accomplished by the operation of the market. Society does not tell a man what to do and what not to do. There is no need to enforce cooperation by special orders or prohibitions. Noncooperation penalizes itself. Adjustment to the requirements of society's productive effort and the pursuit of the individual's own concerns are not in conflict. Consequently no agency is required to settle such conflicts. The system can work and accomplish its tasks without the interference of an authority issuing special orders and prohibitions and punishing those who do not comply.

The liberty and noncoercion which are characteristic of capitalism or the market economy; (except of course the coercion of the state against violence, fraud and theft in which regard see the next paragraph).

Beyond the sphere of private property and the market lies the sphere of compulsion and coercion; here are the dams which organized society has built for the protection of private property and the market against violence, malice, and fraud. This is

The sixth, eighth and ninth commandments in the Decalogue, the enforcement of which are the only coercion on which capitalism or a market economy relies.

the realm of constraint as distinguished from the realm of freedom. Here are rules discriminating between what is legal and what is illegal, what is permitted and what is prohibited. And here is a grim machine of arms, prisons, and gallows and the men operating it, ready to crush those who dare to disobey.

Now, the reformers with whose plans we are concerned suggest that along with the norms designed for the protection and preservation of private property further ethical rules should be ordained. They want to realize in production and consumption things other than those realized under the social order in which the individuals are not checked by any obligation other than that of not infringing upon the persons of their fellow men and upon the right of private property. They want to ban those motives that direct the individual's action in the market economy (they call them selfishness, acquisitiveness, profit-seeking) and to replace them with other impulses (they call them conscientiousness, righteousness, altruism, fear of God, charity). They are convinced that such a moral reform would in itself be sufficient to safeguard a mode of operation of the economic system, more satisfactory from their point of view than that of unhampered capitalism, without any of those special governmental measures which interventionism and socialism require.

The basic idea that more is needed besides a free market, private property, and the sixth, eighth, and ninth commandments, namely, that a system of righteousness is needed.

Lines 17 and 18; alleged sins to which Occam's razor should be applied.

Lines 19-22; alleged virtues to which Occam's Razor should be applied.

Lines 22 - 30; optimism regarding this system of righteousness.

The supporters of these doctrines fail to recognize the role which those springs of action they condemn as vicious play in the operation of the market economy. The only reason why the market economy can operate without government orders telling everybody precisely what he should do and how he should do it is that it does not ask anybody to deviate from those lines of conduct which best serve his own interests. What integrates the individual's actions into the whole of the social system of production is the pursuit of his own purposes. In indulging in his "acquisitiveness" each actor contributes his share to the best possible arrangement of production activities. Thus, within the sphere of private property and the laws protecting it against encroachments on the part of violent or fraudulent action, there is no antagonism between the interests of the individual and those of society.

Lines 1-19. The harmonizing and integrating effect of each man pursuing his own interests. Acquisitiveness is a good thing.

Lines 19 - 25. The harmony of individual and societal interests.

The market economy becomes a chaotic muddle if this predominance of private property which the reformers disparage as selfishness is eliminated. In urging people to listen to the voice of their conscience and to substitute considerations of public welfare for those of private profit, one does not create a working and satisfactory social order. It is not enough to tell a man *not* to buy on the cheapest market and *not* to sell on the dearest market. It is not enough to tell him *not* to strive

Lines 1-10. "Selfishness" is essential to the market economy.

Lines 10 - 15. The characteristics of selfishness which the *system of righteousness* would prohibit.

after profit and *not* to avoid losses. One must establish unambiguous rules for the guidance of conduct in each concrete situation.

Lines 16 - 18. Rules must be unambiguous.

Says the reformer: The entrepreneur is rugged and selfish when, taking advantage of his own superiority, he underbids the prices asked by a less efficient competitor and thus forces the man to go out of business. But how should the "altruistic" entrepreneur proceed? Should he under no circumstances sell at a price lower than any competitor? Or are there certain conditions which justify underbidding the competitor's prices?

Lines 1-13. An obvious problem not answered by a system of righteousness.

Says the reformer on the other hand: The entrepreneur is rugged and selfish when, taking advantage of the structure of the market, he asks a price so high that poor people are excluded from purchasing the merchandise. But what should the "good" entrepreneur do? Should he give away the merchandise free of charge? If he charges any price, however low, there will always be people who cannot buy at all or not so much as they would buy if the price were still lower. What group of those eager to buy is the entrepreneur free to exclude from getting the merchandise?

Lines 1-17. Still another failure of the system of righteousness; supply and demand are not balanced.

There is no need to deal at this point of our investigation with the consequences resulting from any deviation from the height of prices

Lines 1-34. The critical dilemma in which the system of righteousness leaves the problem; it does not make specific

as determined on an unhampered market. If the seller avoids underbidding his less efficient competitor, a part at least of his supply remains unsold. If the seller offers the merchandise at a price lower than that determined on an unhampered market, the supply available is insufficient to enable all those ready to expend this lower price to get what they are asking for. We will analyze later these as well as other consequences of any deviation from the market prices. What we must recognize even at this point is that one cannot content oneself simply by telling the entrepreneur that he should *not* let himself be guided by the state of the market. It is imperative to tell him how far he must go in asking and paying prices. If it is no longer profit-seeking that directs the entrepreneurs' actions and determines what they produce and in what quantities, if the entrepreneurs are no longer bound by the instrumentality of the profit motive to serve the consumers to the best of their abilities, it is necessary to give them definite instructions. One cannot avoid guiding their conduct by specified orders and prohibitions, precisely such decrees as are the mark of government interference with business. Any attempt to render such interference superfluous by attributing primacy to the voice of conscience, to charity and brotherly love, is vain.

the principle which is supposed to supersede the market principle.

Lines 34 - 42. How can the voice of conscience become specific enough? Is it not impossible? Recourse must be had, eventually, to coercive action through a group agency as the government.

The advocates of a Christian social reform pretend that their ideal of greed and profit-seeking tamed and restrained by conscientiousness and compliance with the moral law worked rather well in the past. All the evils of our day are caused by defection from the precepts of the church. If people had not defied the commandments and had not coveted unjust profit, mankind would still enjoy the bliss experienced in the Middle Ages when at least the elite lived up to the principles of the Gospels. What is needed is to bring back those good old days and then to see that no new apostasy deprives men of their beneficent effects.

Lines 1 - 18. The Middle Ages as an example of a system of righteousness.

There is no need to enter into an analysis of the social and economic conditions of the thirteenth century which these reformers praise as the greatest of all periods of history. We are concerned merely with the notion of *just* prices and wage rates which was essential in the social teachings of the doctors of the church and which the reformers want to raise to the position of the ultimate standard of economic conduct.

Lines 1 - 12. The problem is to define what is meant by *just* prices and *just* wage rates. What are they?

It is obvious that with theorists this notion of just prices and wage rates always refers and always referred to a definite social order which they considered the best possible order. They recommend the adoption of their ideal scheme and its preservation forever. No further changes are to be tolerated. Any alteration of the best

Lines 1 - 22. One necessary feature of *just* prices and *just* wage rates is a static, unchanging society, incapable of progress.

possible state of social affairs can only mean deterioration. The world view of these philosophers does not take into account man's ceaseless striving for improvement of the material conditions of well-being. Historical change and a rise in the general standard of living are notions foreign to them. They call "just" that mode of conduct that is compatible with the undisturbed preservation of their utopia, and everything else unjust.

However, the notion of just prices and wage rates as present to the mind of people other than philosophers is very different. When the non-philosopher calls a price just, what he means is that the preservation of this price improves or at least does not impair his own revenues and station in society. He calls unjust any price that jeopardizes his own wealth and station. It is "just" that the prices of those goods and services which he sells rise more and more and that the prices of those goods and services he buys drop more and more. To the farmer no price of wheat, however high, appears unjust. To the wage earner no wage rates, however high, appear unfair. But the farmer is quick to denounce every drop in the price of wheat as a violation of divine and human laws, and the wage earners rise in rebellion when their wages drop. Yet the market society has no means of adjusting production to changing conditions

Lines 1 - 25. Every man's idea of a just price and a just wage differs.

Lines 25 - 38. The benefits of price changes which the

other than the operation of the market. By means of price changes it forces people to restrict the production of articles less urgently asked for and to expand the production of those articles for which consumers' demand is more urgent. The absurdity of all endeavors to stabilize prices consists precisely in the fact that stabilization would prevent any further improvement and result in rigidity and stagnation. The flexibility of commodity prices and wage rates is the vehicle of adjustment, improvement, and progress. Those who condemn changes in prices and wage rates as unjust, and who ask for the preservation of what they call just, are in fact combating endeavors to make economic conditions more satisfactory.

parties in a market society mistakingly consider unjust.

Lines 38-47. Endeavors to maintain unchanged so-called just prices and wages injure society.

It is not unjust that there has long prevailed a tendency toward such a determination of the prices of agricultural products that the greater part of the population abandoned farming and moved toward the processing industries. But for this tendency, 90 per cent or more of the population would still be occupied in agriculture and the processing industries would have been stunted in their growth. All strata of the population, including the farmers, would be worse off. If Thomas Aquinas' doctrine of the just price had been put into practice, the thirteenth century's economic conditions would still prevail. Population figures would be

Lines 1-21. Just prices in agriculture would have stunted society, population growth and standards of living.

much smaller than they are today and the standard of living much lower.

Both varieties of the just-price doctrine, the philosophical and the popular, agree in their condemnation of the prices and wage rates as determined on the unhampered market. But this negativism does not in itself provide any answer to the question of what height the just prices and wage rates should attain. If righteousness is to be elevated to the position of the ultimate standard of economic action, one must unambiguously tell every actor what he should do, what prices he should ask, and what prices he should pay in each concrete case, and one must force — by recourse to an apparatus of violent compulsion and coercion — all those venturing disobedience to comply with these orders. One must establish a supreme authority issuing norms and regulating conduct in every respect, altering these norms if need be, interpreting them authentically, and enforcing them. Thus the substitution of social justice and righteousness for selfish profit-seeking requires for its realization precisely those policies of government interference with business which the advocates of the moral purification of mankind want to make superfluous. No deviation from the unhampered market economy is thinkable without authoritarian regimentation. Whether the authority in which these powers are

Lines 1-20. What is practically required of a system of righteousness, but which it completely fails to provide.

Lines 20-35. To make effective a system of righteousness one must have recourse to inexcusable violence and coercion.

Lines 35-39. The objection to coercion is valid no matter who

vested is called lay government or theocratical priesthood makes no difference.

exercises the coercion.

The reformers, in exhorting people to turn away from selfishness, address themselves to capitalists and entrepreneurs, and sometimes, although only timidly to wage earners as well. However, the market economy is a system of consumers' supremacy. The sermonizers should appeal to consumers, not to producers. They should persuade the consumers to renounce preferring better and cheaper merchandise to poorer and dearer merchandise lest they hurt the less efficient producer. They should persuade them to restrict their own purchases in order to provide poorer people with the opportunity to buy more. If one wants the consumers to act in this way, one must tell them plainly what to buy, in what quantity, from whom, and at what prices; and one must provide for enforcing such orders by coercion and compulsion. But then one has adopted exactly that system of authoritarian control which moral reform wants to make unnecessary.

Lines 1-18. The exhortations of the advocates of a system of righteousness are addressed to the wrong people.

Lines 18-27. What is the answer of the system of righteousness?

Whatever freedom individuals can enjoy within the framework of social cooperation is conditional upon the concord of private gain and public weal. Within the orbit in which the individual, in pursuing his own well-being, advances also — or at least does not impair — the well-being of his fellow men, people going their

Lines 1-12. The system of righteousness must become a system of coercion, whereas a market system is a voluntary (meek) society.

own ways jeopardize neither the preservation of society nor the concerns of other people. A realm of freedom and individual initiative emerges, a realm in which man is allowed to choose and to act of his own accord. This sphere of economic freedom is the basis of all the other freedoms compatible with cooperation under the division of labor. It is the market economy or capitalism with its political corollary (the Marxians would have to say: with its "superstructure"), representative government.

Lines 12-24. Economic freedom becomes the basis of all freedoms.

Those who contend that there is a conflict between the acquisitiveness of various individuals or between the acquisitiveness of individuals on the one hand and the commonweal on the other, cannot avoid advocating the suppression of the individuals' right to choose and to act. They must substitute the supremacy of a central board of production management for the discretion of the citizens. In their scheme of the good society there is no room left for private initiative. The authority issues orders and everybody is forced to obey.

Lines 1-16. The system of righteousness must degenerate in practice into tyranny.

## Mises's Application Of Occam's Razor

Mises in the foregoing quotation makes clear that men who speak of "just prices and wages," and of a society founded on Righteousness (and therefore a Kingdom of Righteousness) speak of something which does not exist in any rational sense as they use the terms.

We interpret Von Mises as follows:

1. That the Kingdom of Righteousness proclaimed by the religionists is something different from the combination of freedom plus the Sixth, Eighth and Ninth Commandments in the Decalogue. They suggest something more and so Moses is being outdone in regard to justice and righteousness;

2. That those who talk of justice and righteousness seek to de-motivate men from the pursuit of their own values, and substitute something else;

3. That the pursuit by each man of his own values does not de-harmonize society, but integrates it. It is only the pursuit of his own values by violent and fraudulent action which disturbs society.

4. That to object to each man pursuing his own interests, by buying on the cheapest and selling on the dearest market, does not tell a man *positively* what he must do. If he is not to act thus, then how should he act? Give everything away? Or go *how far* in that direction? Obviously to oppose a "market economy" does not tell positively what the supposable better economy will be. The advocates of justice and righteousness leave the rules of economic conduct completely in doubt.

5. That any other principle than the "market price" will result in there being more demand than supply, which will require rationing; or vice versa in more supply than demand, because the efficient producer is not permitted to lower his price as much as he can and should. In neither case is the new principle of righteousness, which is proposed as a substitute for the market, defined and formulated in a way that it can be heeded.

6. That if buyers and sellers no longer act voluntarily (without coercion in a free market system), then the substitute must be some *coercive* system applied by the government. This means some form of Collectivism; at least, as a minimum, interventionism.

7. That the justice and righteousness of medieval society in the Thirteenth Century is not impressive.

8. That so-called *just prices* and *righteousness* tend to produce a static, unprogressive society.

9. That just prices and righteousness mean different things to different persons. There is no agreement among men on economic justice or righteousness, nor is agreement possible.

10. That price changes are salutary to society; as an example, farm product price changes which have forced men off farms have been beneficial to society.

11. That so-called justice and righteousness must end up in nothing else than crass tyranny by the government; or if not by the government, it is nevertheless tyranny no matter by whom it is administered.

12. That the advocates of *righteousness* address themselves to the wrong people; they address the business man, whereas they should address the consumers, because in a free economy it is the consumers who control the direction of economic activity and who consequently must be guilty of causing or permitting the injustice and unrighteousness. But to tell consumers what to do and what not to do is tyranny — coercion.

13. That economic freedom underlies all freedoms, and is not separable from other freedoms.

14. That whoever declares that there is a real conflict between individual welfare and group welfare must be an advocate of recourse to coercion and consequently tyranny.

When all the foregoing is taken together it is obvious that Mises is a modern Occam who has cut the ground out from under the fiction of a certain kind of righteousness, as Occam cut the ground out from under the prevailing Realism of Scholasticism. This righteousness which Mises has analyzed turns out to be a spurious and pseudo righteousness. Words!

## The Need Of Occam's Razor

We now ask: What are the *just* prices and wages that the Christian Labor Association talks about? And what is the Kingdom of Righteousness that Rev. Peter Van Tuinen talks about in

*God-Centered Living,* published by the Calvinistic Action Committee? And what is the content of the whole program of the social gospel? And what is the substance of the ideas of *sociaal en economisch gerechtigheid* (social and economic righteousness) talked about by the Anti-Revolutionary Party? Are the ideas of the Christian Labor Association, The Calvinistic Action Committee, The Anti-Revolutionary Party, or the advocates of the social gospel in any sense *real,* or in any sense an addition to everyday political interventionism? Do these groups add any substance whatever to the idea of just prices and wages, or to the idea of general economic righteousness?

The answer to this question must unhappily be negative. These groups add nothing except that they do use nice words, *just* and *righteous.* But the words really mean nothing that is good. They are phantom words. They are creations of human imaginations. The men who employ these terms under the illusion that they signify some kind of morality or virtue are themselves as deluded as were the Scholasticists of the Middle Ages. These modern men believe that the words *Christian,* or *Biblical,* or *just,* or *righteous* mean something, but they do not define the terms so that they mean anything. It can be declared without fear of successful contradiction that the program of the Christian Labor Association is *not* founded on justice or righteousness; *nor* the program of the Calvinistic Action Committee; *nor* the platform of the Anti-Revolutionary Party; *nor* the program of the social gospel. All these


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movements are subject to the basic criticism of William of Occam. They assume something exists and has reality because they coin a general term and apply it, and give the impression that what they think they mean is a good thing. They live in a world of *words;* not a world of *reality.* They have again in this modern age perpetrated the colossal and obvious fallacy of begging the question. They assume the very thing that needs to be proved.

### Mises's Critical Analysis Does Not Apply To Historic Christianity

No part of the adverse criticism by Mises applies to the historic Christianity which is professed by PROGRESSIVE CALVINISM. We have defined neighborly love in a *strictly* Biblical manner (see Feb. through May, 1955 issues of PROGRESSIVE CALVINISM), and that definition completely frees us of any of the criticism by Mises. We are willing to accept the Law of Moses, exactly as it is consistently defined in Scripture, as our ultimate standard. When we do that, we define *justice* and *righteousness* scripturally, and then the terms have not only a completely definite meaning, but also represent the highest earthly values. But there is no more relationship between our idea of justice and righteousness and the idea of the Calvinistic Action Committee or the Anti-Revolutionary Party in the Netherlands than there is relationship between beauty and smallpox. fn

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